

Ward 6 Staff



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Ann Charles



Diana Amado



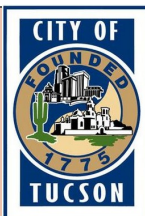
Amy Stabler



Alison Miller



Caroline Lee



Ward 6 Newsletter

Tucson First

May 20, 2015



Budget

On Tuesday, we approved a ceiling for our FY'16 budget. I voted against it simply because we are spending more than we're bringing in every year and need to stop that trajectory. One of my colleagues said we have a "positive cash flow." In fact, we're relying on the sale of \$9M in land and draining nearly \$2M from our Rainy Day fund again to 'balance.' That's not a posi-

itive cash flow. You change that by a combination of things: reduce what you're spending and increase what you're bringing in. Easy in concept – not so easy in practice.

This entire newsletter will be on the budget. I'm going to cover it by sharing with you the several questions I asked of Staff, their answers, and then I'll comment on both the answer and how they played into a motion I made on Tuesday, which was not adopted by M&C.

First, I want to speak to the timing of my bringing this motion to the M&C on Tuesday and not before. This budget process has unfolded with staff presenting on one segment of the budget one week, another the next, and so on. Several weeks ago, I made the point to them that just because I wasn't pushing back on individual pieces of the budget didn't mean that I was comfortable with the overall picture. It wasn't until we saw the entire budget laid out in front of us that all the connecting parts could be considered as a whole. Until then, none of us would have been in a position to put together a cohesive counter. We got the full picture on May 5th, I sent staff my list of questions on the 8th, they returned answers at 5pm on the 15th, and it was only over the weekend that I had the information to put into place a counter proposal. Some on the Council took exception to my timing, but in point of fact, it was the manner in which we've attacked the budget process this time that forced my hand in terms of when my full response could be presented.

Do I believe that all is fine with our direction? Well, this brief clip speaks to that:

<https://m.youtube.com/watch?v=zDAmPIq29ro>



Important Phone Numbers

**Tucson Police
Department**
911 or nonemergency
791-4444

Water Issues
791-3242/800-598-9449
Emergency: 791-4133

Street Maintenance
791-3154

Graffiti Removal
792-2489

**Abandoned
Shopping Carts**
791-3171

**Neighborhood
Resources**
837-5013

SunTran/SunLink
792-9222
TDD: 628-1565

**Environmental
Services**
791-3171

Park Wise
791-5071

**Planning and
Development
Services** 791-5550

**Pima Animal Care
Center**
724-5900

**Pima County Vector
Control**
Cockroach: 443-6501
Mosquito: 243-7999

Continued: A Message From Steve

On Friday the 8th, I sent in a list of budget related questions. Staff worked hard to reply before our meeting on the 19th. Below is the memo sent back to the Mayor and Council (M&C) answering each of the questions. I'll share it verbatim so you can see what M&C saw in the exchange. My [comments](#) will be interspersed where one topic of questions ends, and another is about to begin. So, let's get started...



MEMORANDUM

DATE: May 15, 2015

TO: The Honorable Mayor and Council
Member

FROM: Martha M. Durkin 
City Manager

SUBJECT: Response to Ward 6 Questions Regarding Budget

a) Staff is recommending balancing our budget by reducing the Stabilization Fund by \$3.2M. There was some mention at the most recent M&C meeting that b/c of possible increased revenues from the State, that figure might be reduced. What is the current staff proposal for taking money out of the Stabilization Fund in order to balance our FY 16 budget?

Answer: After the City Manager's Recommended Budget was presented to Mayor and Council, staff updated the FY 15 General Fund revenue and expenditure projections. The projection indicates an increase to the unassigned fund balance of \$1.9 million. Two additional changes occurred. The first is an increase to the budget for State of Arizona Department of Revenue administration charge of \$1,129,680. Secondly, the Sun Van replacement vans will arrive in FY 15, reducing the General Fund investment by (\$572,900). Staff's proposal is to use the \$1.9 million of increased unassigned fund balance in lieu of using \$3.2 million of the Stabilization Fund. The use of General Fund Stabilization Fund Balance would decrease from \$3,154,650 to \$1,811,430.

b) When was the last time M&C put money back into the Stabilization Fund?

Answer: The amount has not increased since June 30, 2010.

c) Our current policy is that the Stabilization Fund is 10% of Revenues. Based on current revenue projections, where will we stand in relation to that goal?

Answer: If the Stabilization Fund stays at \$22.8 million, the 3rd quarter revenue projections indicate the fund balance will be 4.9% of revenues.

d) One of staff's recommendations for this year is that we commit to replacing the \$3.2M removed from the Stabilization Fund by allocating \$1.1M annually for the next 3 years until the fund is back to its current level. That is an annual budget decision. Given the fact that we have

not put money into the Stabilization Fund for several years, how can we codify and commit M&C this year to actually following through on that staff recommendation.

Answer: The Financial Policies will be revised to indicate the repayment plan. Mayor and Council can also direct staff to allocate \$1.1 million or any amount to the Stabilization Fund.

The point of this series of questions was to demonstrate that since I was elected, we have drained money from our Rainy Day fund every year, using that tactic as a "one time fix" to balance our budgets. Our own self-imposed policy is to have our fund at 10% of revenues. It's now down to under 5%. You'll see at the end how this became a part of my multi-part motion. The goal is to put a policy in place that keeps our hands out of the cookie jar until we reach our own policy target. The Stabilization Fund is for emergencies, not for balancing our budget every year because we don't want to make hard choices in other areas.



e) Staff is balancing the FY 16 budget assuming \$1.1M in "Minor Service Changes" to bus service. What specific route changes does that include? How does this proposal differ from the COA options M&C rejected last year?

Answer: In order to achieve the FY 16 Recommended Budget for Mass Transit as revised, staff identified up to approximately \$2.5 million in savings. In the April 21, 2015 FY 16 Recommended Budget PowerPoint presentation, staff stated the budget can be achieved through a combination of one or more options that include internal cost savings, services changes, (potential minor and/or major service changes), capital program adjustments as well as fare changes.

Specifically, staff has identified the following potential minor route changes for implementation in August 2015:

Route	Type of Change	New COA or
1	Routing	New
2	Routing	COA
3/28	Frequency/Routing	COA
5	Routing	New
8 (a)	Routing	New
8 (b)	Frequency	COA
10	Frequency/Routing	New
11/50	Frequency/Routing	COA
25	Frequency	COA
27	Frequency	New
29	Frequency	New
34	Routing	New

f) Staff is balancing the FY 16 budget by including a further option noted in our material (Major Service Change) that will yield \$1.2M annually eventually, but will only yield \$507K this fiscal year. What specific bus routes are affected and how does this differ from the COA options staff presented to M&C last spring (projected at the time to yield \$2.4M in total.) I'm assuming what



Important Phone Numbers

Senator John McCain (R)
520-670-6334

Senator Jeff Flake (R)
520-575-8633

Congresswoman Martha McSally (R)
(2nd District)
(202) 225-2542
Tucson Office: 520-881-3588

Congressman Raul Grijalva (D)
(3rd District)
520-622-6788

Governor Doug Ducey (R)
602-542-4331
Tucson office:
520-628-6580

Mayor Jonathan Rothschild
520-791-4201

ZoomTucson Map
<http://maps.tucsonaz.gov/zoomTucson/>

we're being shown here is that total set of changes, all but \$110K of which was rejected by M&C last fall. Is that correct?

Answer: Staff has identified the following potential major service changes for implementation in February 2016:

Route	Type of Change	New COA	or
9/20	Frequency/Routing	COA	
27	Frequency	COA	

Last fall, M&C rejected the service changes to the bus system that were being proposed by staff. Now, in trying to balance our FY'16 budget, staff is bringing back much of what we said 'no' to last year. I just wanted it to be clear that these proposals are in fact a part of what's being relied on this time around. We lost the financial savings by rejecting them a year ago – and after the Tuesday discussion it's not clear whether or not they'll survive the final budget vote. That will come up in June. We'll see, and we'll see how much collaboration takes place in coming to that position.

Look at the charts – we're not talking about eliminating routes. We're talking about making them more efficient. There's no reason to wait again. It's simply costing us money, and from the standpoint of building a better transit system, we're missing opportunities that were offered through a Comprehensive Operational Analysis that our transit management contractor paid dearly to have produced.

Advocating for the COA changes does not make one 'anti-transit.' The bus system cannot sit alone in our budget while we're struggling to make ends meet.

g) Our 5 Year Transit Plan indicates a Capital Expense in FY 17 of \$6.9M, FY 18 of \$19.1M, and FY 19 of \$14.4M. While those are largely funded through Federal and other funding sources, is the City General Fund match approximately 20% in each of those years? Much of our capital investment obligation is a function of Federal requirements to maintain an efficient fleet. What amount of those capital costs are mandated by those FTA regulations, and by what amount can they be mitigated if we are to adopt all \$2.4M of the route efficiency proposals indicated in items 'e' and 'f', above?

Answer: The City General Fund match for FY 17 is 27.5%, FY 18 is 20.9% and FY 19 is 18.8%. The City of Tucson has an obligation to maintain to a state of good repair capital equipment paid for by the FTA until such time that it outlives its useful life and is eligible for replacement with FTA funds.

Sun Tran currently has 252 buses in its fleet. If the potential minor and major service changes are implemented, the fleet size could be reduced to 245 buses by FY 18 as buses reaching their useful life are taken out of the fleet and not replaced. Assuming services remain the same from FY 16 to FY 18, a one time savings to General Fund in FY 18 for the reduced fleet is estimated at approximately \$622,678 in local match for capital purchase.

If we were to make the route changes staff was suggesting, we'd also be able to reduce the number of busses needed to run the system. Buying busses costs our General Fund

about 20% of their total cost. The point of my question was to validate that when we sign onto a 5-year transit plan, we're at the same time committing General Fund dollars years in advance. You can see the magnitude of those commitments from staff's answer. It's millions of dollars.

By rejecting the COA proposals, we also lose out on savings related to the need to purchase fewer busses in FY'18.

i) What was the process by which the City Manager decided to fund three civic events (Veterans, MLK and Chavez parades?) Last year the MLK event still owed the City for services provided. Have those bills been paid? How are these events determined to be different than the other civic events now competing for funding through our RFP process? What is the status of the Rodeo Day Parade funding under the current staff proposal?

Answer: The first discussions of the FY 16 budget included a proposal to allocate funding for civic events that involve city services. This proposal did not generate any discussion at the Mayor and Council meeting, perhaps because the amount is so low. The reason for the funding is to ensure that city services for celebrations of civic events are properly funded. Independence Day would have been included in this budget allocation, but contributions to the TCC cover 4th of July events.

We have a Request for Proposals process managed for us by Visit Tucson through which our many civic events compete for the money that we are able to invest in them. The answer given above is totally nonresponsive to my question. All of our civic events involve City services. The proposal to pull three out for special consideration runs counter to the process we have established with Visit Tucson. It treats these events differently than El Tour de Tucson, Tucson Meet Yourself, the 4th Avenue Street Fair, the All Souls Procession, 2nd Saturdays, the Ft. Lowell Soccer Shoot-Out, and all the rest.

The issue as to whether they've all paid their bills to the City was ignored. I'm told by staff that one of them still hasn't. My goal is to treat all civic events the same way, increase our funding for them when we can, make sure they're all paying what they owe for services rendered, and avoid cherry-picking favorites.

j) In the past we have been told that our annual investment in vehicles should be \$9M, and in building maintenance should be \$6M. Have those numbers changed? What is in the staff plan to achieve those funding goals? Provide M&C a summary statement of the current condition of our vehicle fleet, as well as our building infrastructure to justify deferring these investments for yet another year.

Answer: The dollars quoted reflect the *General Funds only*. Vehicles: 52.8% of our current general funded fleet exceeds useful life based on recommended mileage and age criteria. The actual current replacement need stands at \$19 million, but this level of investment is not sustainable and therefore not recommended. Not including fire apparatus, a consistent and reliable Vehicle Replacement Program of \$4.4 million dollars is recommended.

Building Maintenance: Prudent lifecycle asset management demands three buckets of funding: ongoing maintenance, major component repair and complete building renovation. The first two are discussed.

- The current funding level does not provide for ongoing maintenance of items such as window cleaning and sealing, painting, and sidewalks.
- Major component repair are maintenance activities that exceed \$10,000. Many of our critical systems are beyond useful life and often run to failure. Historically, we have spent up to \$9 million on unfunded breakdowns/repairs. A consistent funding allocation of \$6 million for major component replacement has been requested but not funded.

The operative words in Staff's answers to both vehicles and building maintenance are "not funded." We are sitting on a time bomb when it comes to the need to upgrade our vehicles and just hoping we don't have a major building system go bad. When (not if) it does, the funding solution we'll be told is needed will be selling debt in the form of Certificates of Participation. The debt service for those is our General Fund. It's really quite circular, and it's the reason we have to reinvest in our Stabilization Fund. The proposed FY'16 budget has \$250K in what's called our Contingency Fund. That fund is intended to pay for things such as an HVAC system in a City building that goes bad in July. The \$250K won't last until August.



k) Last year, staff presented M&C a budget plan called "Adjusting to the New Normal." A part of that plan was a priority listing by department that showed services each department is providing to the public. If it is true that we must reduce expenditures to meet future financial obligations, please draw from that priority listing and show to M&C what services to the community we would be asked to eliminate if each department was asked to take an immediate 10% cut in its operating budget. Please provide that full list to M&C.

Answer: See attached lists

You'll note that they didn't answer the question.

Last year, in an effort to zero base budget, staff asked each department to list the functions they performed and to indicate whether each was a core function or not. Departments then took the time to prioritize each of them as a precursor to our directing them to reduce services to the community. We didn't do that, but instead balanced the budget with one time fixes again. My question was for staff to show us which services were ranked as the lowest priority by departments and could be on the chopping block. We wouldn't be going 10% deep into the services we provide, but it's not at all unreasonable to think we could do some trimming just to reduce our expenditures. A 1% reduction in our General Fund operations would amount to just under a \$5M savings. Those are the numbers, even if Staff avoided showing which programs would be eliminated if we asked them to make the reductions.

l) Pima Animal Care Center budget is paid on a fee for service basis. Each year we pay the delta between what we have budgeted and the actual billed expenses. The staff proposed budget assumes zero year over year increase this year. Will we have an amount due to PACC this fiscal year (exclusive of the current differences of opinion related to Administration and Capital costs,) and if so, why are we not building those increased costs into the FY 16 budget?

Answer: Staff was not aware of the budgetary needs for animal care services for FY 16 at the time of the recommended budget. The County Administrator presented the recommended budget to the Board of Supervisors on April 30, 2015, after the City Manager presented her recommended budget on April 21, 2015. The budget can be increased to meet the rising costs for animal care. To increase the budget would mean a transfer of budget capacity from another department.

m) The voters overwhelmingly approved a new PACC facility. It will be larger, will house more animals, and will include a medical care component. Is it staff's assumption that the new facility will be less costly to operate than the current one is? Please align that answer with the proposed PACC budget.

Answer: The new facility may be more costly to operate than the current facility. The new facility has additional square footage to maintain and there are plans to increase full-time staffing.

Actually, the new facility will be more costly. It will be considerably larger, it will contain a sophisticated medical component, and the voters asked that we move farther in the direction of it being a 'no kill' shelter. Right now, PACC has a live adoption rate of just over 80%. Increasing that will take money.

We should have increased our funding for the County spay/neuter program two years ago when I proposed it. We still should. We pay for the services PACC renders, regardless of whether or not we put it on our budget at the front end of the fiscal year. That's what "fee for service" means. My point to staff is simply this: use the FY'15 actual costs as the base-line for setting our FY'16 budget, not what we had budgeted for '15 before the higher actuals came in from the County. That's simply realistic.

The County, on the other hand, needs to back off on sending other jurisdictions bills for the capital costs associated with the 'pup tent' they built. At no time did they approach any other jurisdiction and ask – before they assumed the costs for the new structure – whether any of us would, or could, ante up cash to help them defray the capital expenses. Before you take on debt, you ask your partners whether they're good for a chunk of it. They didn't, so they own that decision.

You cannot run a facility without administration. The County bills us each month for administration. What we don't need to be paying is a part of the wider County administrative costs, such as those associated with the Administrator's office, or any other 'admin charges' that are not directly a part of running PACC.

We're all in this together. The County needs to quit trying to ding the rest of us in unjustified ways, and the City needs to pay our fair share of running PACC. We need to budget for the kind of facility the voters said they want out there. This really shouldn't be more complicated than that.

n) Each year our compensation plan includes both wages and benefits. During the current labor negotiations, what specific items from the benefits column are envisioned to be moved over to the base rate column in order to allow for an increase in base pay on a dollar for dollar basis?

Answer: The Meet and Confer process is still underway.

Again, not a responsive answer. But I understand the reason. Negotiations are still on-going. Staff shouldn't divulge specifics as to what's on the table. My intent in asking the question was to remind all parties involved that we have very limited resources and so if we're going to effectively give pay raises (as each of the unions have requested), the people at the bargaining table need to show some creativity and move the dollars that are available around to achieve that goal. We don't have the money to increase pensionable base salary without reducing the benefits side by a like amount.

o) The proposed FY 16 budget appears to assume an increase in TPD overtime. What is our current turnover rate in TPD? What are we doing to recruit to fill those vacancies? Have we reassessed our hiring standards in an effort to increase our recruitment success? If base pay is one of the issues raised for turnover, how have we tried to address that in the current contract negotiations by moving money from 'benefits' over to 'base pay' on a dollar for dollar basis?

Answer: Since January 1 of this year, the Tucson Police Department has seen 11 commissioned members leave the department as a result of termination, failure to meet standards, and resignation. In the last four years, the average number of unplanned departures has been 4 per month. With respect to retirements, the department will lose an additional 50 commissioned members who are scheduled to leave during the remainder of this year due to the completion of their DROP through the State of Arizona Public Safety Retirement System. Most of these DROP retirements will occur before December 31 of this year. As a result, it is anticipated that the turnover rate will accelerate dramatically during this time.

The Department has attempted a number of strategies to recruit police officers to fill the resulting vacancies from the above noted retirements and unplanned attrition. These include the opening of basic recruit processes on an almost continual basis, recruiting existing certified lateral officers, recruiting graduates from peace officer certification programs from colleges in Arizona, and recruiting potential candidates from the United States Military police programs. The TPD recruiting staff has also opened a recruiting process in the Detroit, Michigan area which has a number of large universities and colleges and a very large diverse population. Finally, our military recruiting efforts have included on site visits to a number of large military installations. The next visit will be at Fort Hood, Texas.

In addition, TPD recruiters have participated in numerous job fairs to include the University of Arizona, Pima Community College, Arizona Western Community College, Tucson College, Maricopa Community College, Fort Huachuca, Davis Monthan Air Force Base, LULAC, and several veterans' events. Several additional events are already scheduled in the near future.

The Tucson Police Department has taken advantage of numerous advertising opportunities through social media, publications, billboards, newspapers, and both radio and television commercials. We have over 3,000 followers of our social media efforts alone. TPD also maintains a public website, "jointucsonpd.org". Finally, the recruiting staff has continually participated in the activities of community and civic organizations for the purpose of attracting recruits.

The hiring standards for the Tucson Police Department are in alignment with the requirements set forth by the State of Arizona Peace Officer Standards and Training (AZ POST) Board. These are mandatory standards for all law enforcement agencies within the State of Arizona and our process is routinely audited by Arizona POST. We currently do not have any college requirements for candidates as many other agencies do or have any other standards above and beyond what is required for the State of Arizona.

This is one of the more comprehensive responses to my questions. It shows that we're doing a very good job of trying to recruit new police officers. The one part of my question that's embedded in the answer that might help solve the apparent inability to recruit effectively is the same as the previous question. Move dollars from benefits over to base pay. I tried suggesting that last year when it came to Sick Leave Sell Back, and the push back was ugly. We stopped allowing them to spike their pensions by selling back unused sick leave and having it added to their pensionable income. It's a violation of State law, and yet we're still allowing those who did it before to use the sold back hours to compute pensions. That benefit is just one of many that could be moved into base pay to help us recruit more effectively.

No one group of employees is more deserving of pay increases than any other is. I've made the same suggestion for both public safety and non-public safety workers. We'll see if any of them choose to move the dollars around so peoples' take home pay goes up without increasing the size of the pay/benefits pie.

p) In economic times like these, why are we given an "Unmet Needs List" from TPD that includes items such as \$1,000 projector screens, personalized coffee cups, over 500 office chairs valued at \$400 each, and other similar items? How urgent are these 'needs' assumed to be by staff?

Answer: Upon initiating its internal budget process, the Tucson Police Department sent out a request to all division commanders to submit any needs they had which were not currently funded. The document prepared was a working document only. The only "critical" unmet needs for TPD for FY 16 are vehicles and computer equipment.

And my purpose in adding this comment was simply to remind people that we don't have extra cash for things that are not necessities. Don't put them on a 'needs list' when we're struggling to fix decrepit buildings, buy new vehicles, and we're selling off assets to 'balance' our budget.

q) Remind M&C of the cost of the salary increases voted to approve last year. Please include the cost for pensions and benefits that came along with those pay increases.

Answer: Mayor and Council approved a \$1.00 per hour increase for Emergency Communication Workers; the change was implemented on July 1, 2013. A compensation increase was awarded to all other probationary and permanent employees effective January 1, 2014. With the exception of the 1% across-the-board increase provided in Fiscal Year 2013, City employees have not received a labor market pay adjustment since FY 06. Under the approved Compensation Plan, all civilian permanent employees, and all exempt commissioned police officers and firefighters (except for the ranks of Police Lieutenant and Fire Battalion Chief) received a fifty-five cent (\$.55) per hour increase. Non-exempt commissioned police officers and firefighters who were

hired before January 1, 2011, received a step increase. Those hired on or after January 1, 2011, and those at the top of their range received the equivalent of a fifty-five (\$.55) per hour increase based on a 2,080 hour work year. Commissioned public safety officers with a rank of Police Lieutenant and Fire Battalion Chief received a percentage increase equivalent to the next closest non-exempt rank in their departments. Using the new pension rates, the increase to the General Fund was \$5,295,560.

The pay raises we gave last year cost our General Fund over \$5M. I voted against them, not because I didn't feel our workers had earned the bump, but because we paid for it by deferring maintenance on our buildings and infrastructure, didn't buy nearly the quantity we should have of new public safety – or any other – vehicles, dipped into our Rainy Day fund and had to absorb increased pension obligations as a result of the pay increases.

r) Staff has indicated we still have options for transit fare increases. Those include a "10% increase" which would yield \$730K to the General Fund if implemented in August of this year, and what is described as the "Maximum allowable Fare Equity Analysis" which would yield \$1.6M to the GF if implemented in August, 2015. What is the public outreach required for adopting either of those options?

Answer: Pursuant to the City's transit fare policy, the public outreach process requires consideration of comments from the public, input from the Transit Task Force, and coordination with Regional Transportation Authority Board. Comments from the public and transit users are obtained via public open houses and surveys or electronic media. As a final step, a public hearing at Mayor and Council is required prior to adoption fare changes. The process takes approximately three months to complete.

M&C voted down any bus fare increases again last year. We needed the revenues then, and we still do. I don't much care how they come up with the \$730K anticipated, but get there. Whether it's increasing the cost for period passes, full or low income fares, or whatever the mix is, we have to increase our revenue base beyond what it currently is. The figures preceding this item clearly show that our expenses are outpacing our revenues. That's nothing but arithmetic, and we need to ask every department to share in the solutions.

M&C made it clear that this is not an option they're interested in pursuing yet again this fiscal year.

s) In FY 17, the remaining 25 police officers will leave the COPs Grant funding. We will also likely see another large PSPRS pension obligation due to pending litigation being completed. What will be the General Fund responsibility for those two items in FY 17? What other similar items are you aware of that will be unavoidable obligations to the General Fund in FY 17?

Answer: Using the current pension rates, the police officers will increase the General Fund by approximately \$940,000. It is difficult to know what the impact to the pension rates will be for FY17, particularly with the pending litigation. Staff will present information to Mayor and Council as it is known. The obligation would be for the General Fund to pay the calculated actuary rate.

Other obligations on our radar:

There will be an increase to the Southwest Gas relocation costs. The agreement with Southwest Gas sets aside 1/3 of the franchise fees paid by them to cover their costs of relocating their lines because of city projects. If 1/3 of the franchise fees are greater than the actual cost for a fiscal year, the General Fund is able to use the remaining revenue to cover other operating costs. Because of major street corridor projects underway, we are projecting we will need to cover \$700,000 (a total of \$950,000) of additional relocation costs in FY 17.

There was an arrangement for City Court to pay for 11 customer service positions out of their restricted case processing fee reserves for 2 years. Fiscal Year 2016 is the last year. The increase to the General Fund in FY 17 is approximately \$469,100.

The point I was making with this question is that we begin in the red again next fiscal year. There will be a new \$1M general fund obligation for the police coming off a grant we were awarded three years ago, plus a likely bill coming from public safety pension litigation. This year, a similar settlement cost the City \$18M in police/fire pension costs. Next year will likely be much the same.

Add to that the \$1.4M in new costs we'll have to fund between the SW Gas agreement and City Court. We cannot pretend these financial obligations don't exist.

t) Describe the status of TFD vehicles and the implications for the safety of the public in terms of service delivery.

Answer: Tucson Fire Department's emergency response vehicle fleet has reached a critical state of readiness, and must see some relief. Without a continuous infusion of vehicles, the fleet grows older, maintenance cost get higher, vehicle out-of-service times increase and the reliability of emergency vehicles decreases. This combination is having a direct impact on our ability to provide safe vehicles for emergency operations. If we identified funding today, by the time the new vehicles are placed into service 76% of our pumper fleet, 93% of our paramedic fleet, and 33% of our ladder fleet will be in need of replacement.



We cannot justify continuing to buy new buses and not buy paramedic trucks. Last year I asked for the mileage on our police and fire vehicles. Showing that didn't create the urgency necessary to commit money to getting purchases into the pipeline. Maybe the last sentence in the CM's answer above will. *If we identified funding today, by the time the new vehicles are placed into service, 76% of our pumper fleet,*

93% of our paramedic fleet, and 33% of our ladder fleet will be in need of replacement. The motion I made identified that funding source.

u) What is the anticipated impact to our sales tax revenues due to the new retail outlet that will soon be opening in Marana?

Answer: Economic Initiatives (EI) has not performed an analysis regarding the impact of the Marana retail outlet; however, City staff does not anticipate a negative impact. In fact, if the

outlet draws people from Southern Arizona and Mexico for such shopping, it could bring more people to our region to stay at hotels, eat at our restaurants, attend our attractions, or shop at other Tucson stores. However, we will not know if there are any actual impacts until the retail outlet opens.

I don't share the optimism that losing a major retail opportunity to Marana will net out in the positive for Tucson. But, it's speculation, so I guess we'll all wait and learn the impact together.

v) Several of our departments charge fees for services to the public and to the business community. Please assess how those fees have kept pace, or not, with our own internal costs of doing business. What specific increases would you propose in order to offset this year's General Fund deficit?

Answer: A review of all department fees for services was not done during the FY 16 budget process. However, staff is prepared to discuss with Mayor and Council potential increases to charges for services during FY 16.

If we haven't done a review of the fees, then staff is not really prepared to discuss potential increases for the coming fiscal year. I expect our new City Manager will identify this as one area in need of actual review when he arrives mid-summer.

w) When have we audited our own internal processes in order to ensure the procedural requirements we impose on the business community is not excessive; increasing costs to the City for implementing those processes, and to the private sector for compliance? Comment on changes we could make to help reduce both our own internal costs, and those incurred by the business community.

Answer: Staff has provided a few examples:

The Planning and Development Services Department (PDSD) continuously engages its customers through monthly stakeholder meetings to look at various departmental processes to ensure efficient administration. Upgrading the permitting system will reduce inefficient staff time and greatly reduce costs to the business community by converting paper systems to electronic systems, thereby increasing efficiency and service to the community. The new permitting system will also enhance PDSD's ability to manage and schedule various building and code enforcement inspections.

The Procurement Department has created efficiencies for the business community as follows:

- We have a site, *Spotlight on Spend*, dedicated to providing online, transparent access to the City of Tucson's procurement spend on goods, services and construction. Through this site, citizens can access and sort information by spend category as well by contractor.
- Contracts are available online and no longer require an appointment to come in to view/inspect.
- Bid opportunities are broadcast via email to registered vendors who have email as their preferred delivery method.
- Contract folders now include a synopsis of each proposal's strengths and weaknesses, which help businesses to understand how they can improve their offer next time.
- Procurement continues to participate in trades shows which serve to educate vendors on how to do business with public agencies.

Upcoming efficiencies include:

The SBE program transitioned to Procurement and they are looking at efficiencies which will

include transitioning to the Arizona Unified Certification Program (AZUCP) online certification program. This has been established to allow multiple agencies to utilize the same certification process statewide for Disadvantaged Business Enterprises (DBEs). This will simplify the DBE application process between multiple agencies, and it will provide reciprocity for DBEs between the City of Tucson, City of Phoenix, and the Arizona Department of Transportation (ADOT).

Procurement is also actively looking at ways to streamline the competitive process, to include the research of meeting/conference software which will allow businesses to attend remotely rather than in-person.

The Finance Department has not conducted a formal audit. However, reviewing internal processes is an ongoing exercise under current budget constraints. Up until recently, our major connections with the business community were in three areas: local business licensing, tax audit and collection of sales taxes. With the passage of HB 2111, two of the three areas are now (or will be soon) governed at the State level (i.e. tax audit administration effective 1/1/15; sales tax collection effective 1/1/16). While Tucson has little control on procedural requirements in these two areas under HB 2111, we are very engaged with the League of Cities and Towns efforts to provide ADOR feedback on how non-program cities move towards compliance and simplification. Staff time is consumed with deciphering the finer details of HB 2111 so that we may provide education to our Tucson business community. As we receive information and get clarity on issues, we update the City's website accordingly.

As far as business licensing, the area under Tucson's control, the Revenue Division has made strides to ease the administrative burden. We simplified the license process with the elimination of the occupational license which required some businesses to have two licenses. Most businesses that are not regulated by Chapter 7 of the Tucson Code and do not have unpaid tax from a prior business get license in a very short time. Some business types have additional requirements like Police background checks and health department requirements, which do typically add time to the license process. In addition, the electronic zoning check saves applicant's time and a walk over to the Development Services Department. In order to maintain strong working relationships, the Finance Department regularly works with business community groups like the SWMBC and special event coordinators (Gem Show, 4th Avenue Street Fair, Book Fair). We have been running quarterly educational workshops for years and have partnered with ADOR on their educational workshops as business prepare for HB2111 changes.

If you are a business owner, or anybody who's doing business with the City, your suggestions for how we can streamline processes is important. There's a residential group – Tucson Residents for Responsive Government – that meets regularly with staff to discuss this sort of thing. In their case, it's largely related to Code Enforcement processes and openness in how we conduct our business. If you're a business operator, contractor, or even a homeowner doing remodeling, let us hear how we can up our game.

x) We share many challenges as a jurisdiction with those faced by the County. I continue to believe there's a value to joint M&C/BOS quarterly meetings. Has the City Manager approached the County Administrator with that proposal, and if so, what has been the response?

Answer: No, I have not approached the County Administrator with this question. Mr. Ortega may want to do this after he assesses the situation.



I hope so. We can't continue operating in a vacuum from one another. Soon the new January 8th Memorial Plaza work will be taking place between their building and ours. That symbolizes a coming together.

y) If M&C adopt a budget ceiling for FY 16 on May 19th, what options exist for implementing any of these suggestions before final adoption in June?

Answer: Once Mayor and Council adopt the tentative budget, the expenditure cap for Fiscal Year 2016 is set. Council may transfer or move budget expenditure capacity between departments or programs or Mayor and Council may reduce the budget expenditure capacity until the budget is adopted.

Our expenditures exceed our revenues. The cap is too high. I did not support moving the existing budget forward with a maximum spending limit that causes us to dip into our reserves for the 5th consecutive year, rely on land sales and/or other non-sustainable 'fixes.' Status quo is not an option.

z) Finally, we continue to attract service sector employment. While hotels and restaurants are good for the community, they are not the high paying jobs found in the manufacturing and logistics sector. We have an economic initiatives staff. What specific efforts are they making to recruit new manufacturing to this region? What 'Road Trips' have they taken in an effort to attract new high paying manufacturing/logistics employers to this area? What is our game plan for aggressively going out into the marketplace, knocking on doors and letting large, well-paying employers know that Tucson is open for their business?

Answer: Economic Initiatives (EI) staff does not engage in out-of-town trips for the sole purpose of recruitment of firms to our region. The Arizona Commerce Authority and TREO focus on recruiting firms that are interested in possibly expanding into the region. EI responds to requests for information on a weekly basis from the ACA and TREO. This information includes incentives and programs the City offers. At TREO's request, EI participates in meetings with site selectors or representatives from these firms to "sell" the City of Tucson as the best location for expansion.

Both TREO and the ACA are geared toward the external market. They have relationships with site selectors throughout the country. They have marketing materials that sell our region, and they participate in trade shows and events where possible leads can be generated. They also have offices in out-of-state locations, such as in California and Mexico. TREO and the ACA generate data that compares our region to others to make the case why our region is a good place for expansion. There are times when EI meets with representatives from firms directly without ACA or TREO involvement, but even in these cases, we typically bring in TREO and the ACA to help make the case and provide more incentives.

What we are doing is the analog to Sean Miller or RichRod letting the Pac12 Conference do the initial sales pitch for Arizona, and then greeting the recruits they send to us. I do

not for a minute believe we're in the game at the level we need to be by taking recruits sent our way by TREO or the Arizona Commerce Authority. Of all the answers to my questions offered back by staff, this one, the one about the condition of our fire department vehicles, and the confirmation that we have no game plan for addressing deferred maintenance issues were perhaps the most troubling.

I absolutely believe our economic development staff should be making in-person recruiting touches with prospects ('home visits' in the athletics world), and not waiting for other agencies to send them our way. Frankly, I'm not all that concerned with 'recruitment of firms to our region.' Note the discussion above about the shopping mall going in up in Marana. I want them relocating to Tucson. We're not being as aggressive about this as we should be.

Also, I asked about vehicles and building financing game plans - what's our plan for upgrading I.T. infrastructure? In 2013 we had an 'unmet needs' list that showed \$25M in needed upgrades. Those are now out of date - what's the current estimate for that department?

We are still working on a game plan to fund the I.T. infrastructure needs. The fiber optic network replacement could be a possible City bond item. Staff is currently in the process of updating the unmet needs list and are meeting with each department to discuss their items. For I.T. infrastructure needs, not including replacing the fiber optic network, the amount is approximately \$9 million. We also have updated software needs for Tucson Fire and Police and Planning and Development Services. I did not include those amounts in the \$9 million.

Not addressed in any of the budget presentations is the fact that our Information Technology system is old, out of date, and is in need of a facelift that will cost north of \$10M. Voters approve bonds, so that 'possible' solution isn't a unilateral choice we make at the M&C level, and the timing is problematic.

So those are the questions, answers, and a few comments. The motion I made on Tuesday was intended to address our reserves, expenditure levels, and revenues; put in place a mechanism for funding new fire vehicles; and meet our voter-directed obligation in terms of funding the Pima Animal Care Center. It therefore needed to include several parts. Here they are:

I move for the FY'16 Budget:

Reduce all departmental General Fund budgets by 2%, excluding police, fire, the 911 system, and the enterprise funds. Departments will be required to submit budget reduction proposals to the City Manager for approval. This will yield approximately \$4.7M.

Approve staff recommendation for both minor and major service changes for transit

system. This is already projected to yield approximately \$1.6M in FY'16 budget. Implement the staff recommended 10% transit fare increase for FY'16 budget. This is projected to yield \$730K in General Fund revenue.

Allocation of new revenues:

Establish by policy a requirement that each budget cycle, Mayor and Council will add a minimum net \$1M to the Stabilization Fund until Mayor and Council self-imposed policy of that Fund being at 10% of revenues is reached. Do not reduce Stabilization Fund by the staff recommended \$1.8M this fiscal year.

Allocate \$2M this fiscal year to the purchase of new Fire Vehicles. Quoting from Staff answer to my question related to TFD vehicles: [If we identified funding today, by the time the new vehicles are placed into service, 76% of our pumper fleet, 93% of our paramedic fleet, and 33% of our ladder fleet will be in need of replacement.](#)

Allocate an additional \$730K to fully fund our obligations to the Pima Animal Care Center.

There's a clear interplay between each of the items. As such, I would not agree to splitting them up for separate votes. M&C did not agree to my proposals, and eventually voted to move ahead with the spending cap as it was at the start of the day.

The purpose of this newsletter is to share with you how we do our business. There you have the blow-by-blow of this year's budget discussion. I don't think many households handle their financial affairs this way, and I'm sure that successful businesses don't. While I understand that we're neither of those and that we have responsibilities to serve many facets of the public, we also have a responsibility to spend your money in ways that we can sustain over the long term. This budget isn't that.

Despite the hard feelings that were on exhibition at the study session, we'll continue to work together on this, and all other issues that come before us. I will be advocating for the new City Manager to start engaging in budget talks much earlier than we did this year. That will allow for more time to work with one another and come to agreement on the size of our budget and priorities that it will include.

Sincerely,



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